

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 NEA-10 ISO-00 ERDA-05 AID-05 CEA-01

CIAE-00 CIEP-01 COME-00 DODE-00 FEAE-00 FPC-01 H-02

INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04

USIA-06 SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00 PA-01

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FM AMEMBASSY MOSCOW

TO SECSTATE WASHDC 8580

INFO AMEMBASSY BERLIN

AMEMBASSY BELGRADE

AMEMBASSY BONN

USMISSION EC BRUSSELS

AMEMBASSY BUCHAREST

AMEMBASSY BUDAPEST

AMCONSUL LENINGRAD

AMEMBASSY LONDON

AMEMBASSY PARIS

USMISSION OECD PARIS

AMEMBASSY PRAGUE

AMEMBASSY SOFIA

AMEMBASSY TEHRAN

AMEMBASSY VIENNA

AMEMBASSY WARSAW

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E.O. 11652: NA

TAGS: ETRD, ENRG, EFIN, UR, IR, GW, AU, FR

SUBJECT: NEW GERMAN CREDIT TO USSR FOR PURCHASE OF PIPE

REF: 75 TEHRAN 11640, 75 BONN 17315

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1. SUMMARY - DM 1.2 BILLION COMMERCIAL CREDIT EXTENDED TO

USSR BY GERMAN BANKS LATE IN DECEMBER FOR PURCHASE OF PIPE TO BE USED UNDER TRIPARTITE IRAN-USSR-FRG NATURAL GAS DEAL IS FOURTH LARGE PIPE CREDIT SOVIETS HAVE RECEIVED FROM FRG SINCE 1969. NEW CREDIT WILL COVER 85 PERCENT OF TOTAL COST OF CONTRACT AND WILL BE REPAYED IN FEES CHARGED BY USSR FOR SHIPMENT OF GAS ACROSS SOVIET TERRITORY. DURING 1976 USSR IS EXPECTED TO RECEIVE ADDITIONAL CREDITS FOR PIPE VALUED AT DM 1.1 BILLION FROM FRANCE AND AUSTRIA WHO WILL ALSO BE BENEFICIARIES OF IRANIAN GAS SHIPMENTS. VIEWED FROM PERSPECTIVE OF MOSCOW'S CURRENTLY DEFICIT HARD CURRENCY POSITION, NEW CREDITS -- WHICH WILL TOTAL APPROXIMATELY US DOLS 860 MILLION -- APPEAR AS HARBINGER OF SOVIET POLICY FOR PURCHASES OF WESTERN CAPITAL EQUIPMENT DURING YEAR 1976, - MUCH CREDIT AND MINIMUM CASH.
END SUMMARY

2. OFFICERS OF FRG EMBASSY AND DEUTSCHE BANK IN MOSCOW HAVE PROVIDED FOLLOWING ON NEW FRG COMMERCIAL CREDIT TO USSR FOR PURCHASE OF PIPE TO BE USED FOR NEW LINE TO BE CONSTRUCTED UNDER IRAN-USSR-FRG NATURAL GAS AGREEMENT. SOURCES SAY CREDIT ARRANGEMENTS NOT FULLY REPORTED IN WESTERN PRESS.

3. AGREEMENT, SIGNED IN DUSSELDORF LATE IN DECEMBER, IS BETWEEN FRG BANK SYNDICATE LED BY DEUTSCHE BANK AND COMMERZ BANK, AND VNESHTORGBANK OF MOSCOW. IT PROVIDES CREDIT OF DM 1.2 BILLION WHICH COVERS 85 PERCENT OF COST OF PIPE TO BE DELIVERED BY MANNESMANN AND THYSSEN TO SOYUZGAZEKSPORT OF USSR. REMAINING 15 PERCENT WILL BE PAID BY SOYUZGAZEKSPORT IN CASH. CREDIT EXTENDS FOR LESS THAN TEN YEARS AND INTEREST RATE IS "CURRENT MARKET RATE."

4. CREDIT WILL NOT BE REPAYED IN CASH BUT IN FEES CHARGED BY SOVIET UNION FOR TRANSPORT OF GAS TO FRG ACROSS SOVIET TERRITORY. (COMMENT: AS HAS BEEN REPORTED EARLIER, GAS SHIPPED TO FRG, AUSTRIA AND FRANCE UNDER THIS AGREEMENT WILL NOT BE IRANIAN GAS BUT SOVIET GAS ORIGINATING BOTH FROM ORENBURG PROJECT AND FROM OTHER POINTS IN WESTERN PART OF USSR. SHIPMENTS WILL BE EXACT EQUIVALENT OF QUANTITIES OF GAS SHIPPED TO USSR FROM IRAN AND USED IN LIMITED OFFICIAL USE

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SOVIET CENTRAL ASIAN REPUBLICS AND POSSIBLY IN UKRAINE. END COMMENT) TOTAL VOLUME OF GAS SHIPPED TO FRG WILL BE APPROXIMATELY SEVEN BILLION CUBIC METERS PER YEAR.

5. FRG EMBOFF COMMENTED THAT DEAL IS UNUSUAL IN SEVERAL RESPECTS. ONE IS THAT CREDIT AGREEMENT HAS BEEN SIGNED BEFORE ALL CONTRACTS FOR ACTUAL PURCHASE OF PIPE HAVE BEEN CONCLUDED. REASON FOR THIS GIVEN AS "ADMINISTRATIVE"

AND ALSO BECAUSE ARRANGEMENTS BETWEEN GERMAN FIRMS AND SOYUZGAZEKSPORT FOR PIPE DELIVERIES NOW 90 PERCENT COMPLETED. REPAYMENT THROUGH FEES IS ALSO A NEW DEVELOPMENT WHICH IS MADE POSSIBLE BECAUSE VOLUME OF GAS WILL BE SO LARGE AND WILL ALSO INCLUDE SOME SOVIET GAS BEING SHIPPED TO FRG UNDER PREVIOUS LARGE CONTRACTS. THIS WILL BE FOURTH LARGE CREDIT CONTRACT FOR PIPE TO BE CONCLUDED BETWEEN FRG AND USSR. PREVIOUS DEALS WERE CONCLUDED IN 1969, 1972 AND 1974.

6. IN ADDITION TO FRG CREDIT, AUSTRIA AND FRANCE ARE EXPECTED TO SIGN SIMILAR CREDIT CONTRACTS FOR SHIPMENT OF PIPE TO USSR VALUED AT DM 700 MILLION AND DM 400 MILLION RESPECTIVELY. THIS WILL MAKE VALUE OF TOTAL CREDIT FOR PIPE WHICH SOVIETS WILL RECEIVE UNDER TRIPARTITE AGREEMENT DM 2.3 BILLION. FRG EMBASSY HERE DOES NOT KNOW WHEN AUSTRIAN AND FRENCH CREDIT AGREEMENTS WILL BE SIGNED.

7. COMMENT - EMBASSY BONN WILL UNDOUBTEDLY BE ABLE TO SUPPLEMENT THIS RATHER GENERAL ACCOUNT OF CREDIT ARRANGEMENTS FOR A TRANSACTION WHICH HAS ALREADY BEEN SUBJECT OF EXTENSIVE REPORTING. FROM MOSCOW WE FIND IT PARTICULARLY INTERESTING AS AN INDICATOR, AND ALSO A HARBINGER, OF SOVIET POLICY ON PURCHASE OF WESTERN CAPITAL EQUIPMENT IN THE YEAR 1976. AS YEAR BEGINS, THE FIRST MAJOR SOVIET CONTRACT FOR IMPORT FROM THE WEST INVOLVES A CREDIT OF APPROXIMATELY US DOLS 860 MILLION WHICH WILL BE REPAYED THROUGH SERVICES. MATLOCK

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